

Credit Terminology

Credit Learning Center



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Understanding the fundamental credit terms.



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Credit Fundamentals

Credit Terminology by Kyle May

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Credit card companies are a lot like the military. They think that they need to make an acronym out of everything important so that you can remember it better, but all it really does is make the work more confusing than it needs to be. That and they use complex words to steer people off course. Well this is your credit card terms for dummies.

No one likes to give the credit card companies more money than they have to, so watch out for annual fees. Some companies can charge between 25\$ and 50\$ but some can go as high as 100 \$ for platinum or gold cards, so keep your eyes open and only pay the extra money if the card is really worth it.

Transaction fees and other hidden fees are things to keep your eyes out for. Watch out for monthly charges because a card like that is just bad news. Other hidden fees may include fees for late payment, which is pretty common, fees for a cash advance, and fees for exceeding your credit limit. These are all things that can add up really quick so be careful and keep track on how you spend your money.

Let's talk about APR. It stand for annual percentage rate and really means the percent of the total that you are going to end up paying to the credit card companies on top of your balance. So if you spend 100 dollars with a 10% APR you would end up paying back the one hundred dollars plus ten dollars to your creditors for letting you borrow the money. There are only two types of percentage rates, fixed and variable.

What is a fixed rate? No it doesn't mean that they take your rate and make it all better so that it doesn't hurt as much, although that would be a welcome change. Instead a fixed rate is a non changing rate. This means that no matter what happens, your rate isn't going to change. It has to remain the same percentage as the day you opened your account. It's not as nice as them dropping it to 2% but it's one of the best things you can get with a credit card or loan.

Okay so a fixed rate is good and worry free but what about the variable rate? A variable rate means that your lender can change your rate due to certain circumstances. A lot of the cards out there are variable rate cards so if you are tossing the idea around about getting one with such a rate, you need to find out exactly what your credit card company can change your rate for. Also, it might be a good idea to find out how often they can change your rate.

Grace periods can help you save money. With a grace period you can avoid finance charges if you pay your bill in full before the time that your payment is due. This information really helps you out if your card has one and you pay your balance full in each month. It is a good thing to have on your card anyway. Without this period, your card may have the finance charges applied the same day as the transaction and that can add up quickly.



